Testimony Submitted to the Insurance and Real Estate Committee

Raised Bill No 7174: An Act Concerning Prescription Drugs

Senator Lesser, Representative Scanlon and the Members of the Insurance and Real Estate Committee;

My name is Edward Schreiner. I am a resident of Oakville, CT. I have owned and operated Stoll's Pharmacy in Waterbury, Ct, since 1988. I am also the Chairman of the Board of Directors for Northeast Pharmacy Service Corporation (NPSC), a buying group with over 260 participating community pharmacies throughout New England, including 124 pharmacies located in Connecticut.

I am writing this letter to offer comments and suggestions concerning Raised Bill #7174: An Act Concerning Prescription Drugs.

The stated purpose of Raised Bill #7174 is to make outpatient prescription drugs available at the lowest possible cost to participating individuals. While this is an important objective that has the potential to benefit many Connecticut residents, the legislature must consider the effectiveness the mechanisms proposed in this bill will have in reducing drug pricing and the impact implementation will have on the business of community pharmacy in our state.

The bill's current language authorizes the Comptroller's office to contract with a Pharmacy Benefit Manager (aka PBM) to perform the Comptroller's duties under this bill. The Comptroller's office must perform extensive due diligence in selecting the most appropriate mechanism to provide this pharmacy benefit.

PBMs are unregulated middlemen that are siphoning billions of dollars out of the nation's pharmacy healthcare costs without providing any product or service other than the vague promise of "savings". Three large PBMs dominate the prescription drug market. It has been estimated that CVS/Caremark, Express Scripts (ESI) and Optum Rx collectively control 75% to 85% of prescriptions dispensed in the United States. Their profitability parallels increased drug costs. These three PBMs generated net profits totaling $12.3 billion in 2017 according to their 10-K SEC filings. Typically, PBM contracts do not mandate a fiduciary responsibility on the PBM to achieve "savings" on prescription drugs. The PBMs prime responsibility is to generate revenue to the benefit of their stockholders. This has been clearly demonstrated by the following:

- A report released by the Ohio Auditor of State found that PBMs managing Ohio Medicaid took $204 Million in fees over a 1-year period ending 2018. The report also found that PBM payment cuts to pharmacies did not translate into savings for the state due to Spread Pricing where the price paid to the pharmacies for filling the prescriptions was lower than the contracted rate paid to the PBMs,
- A study sponsored by the Pharmacists Society of the State of NY determined the value of PBM Spread Pricing in the NY Medicaid program was $300 million over a 1-year period,
- The recently released results of a state audit in Kentucky found that in 2018 PBMs kept $123.5 million from Spread Pricing in the state's Medicaid Managed Care program,
- A special report just released by the Pennsylvania Auditor General entitled "Bringing Transparency & Accountability to Drug Pricing" lays out the entire PBM issue based on public hearings and the AG's investigation. Incredibly, this report could not provide an analysis of the financial impact PBM activities had on their Medicaid program because Pennsylvania currently contracts with "Health Care Managers" to manage pharmacy services and does not contract directly with PBMs. Because these contracts were not signed directly with the state there was no provision for the state to audit, thus the state of Pennsylvania has no idea about PBM profit and how much PBMs charge overall (demonstrating an extreme lack of financial transparency).

I wish to thank the Committee for including the wording in Section 5 of this bill that prohibits PBMs from directly or indirectly recouping any portion of a claim that has been paid to the pharmacy. The bill also

prohibits PBMs from penalizing pharmacies for disclosing the cost of the prescription or advising patients about alternative medications or alternative methods of purchasing prescriptions that may be less expensive. These provisions provide for pricing transparency and will help reduce total drug costs experienced by Connecticut's residents.

The over-consolidated PBM presence in the pharmacy marketplace is causing significant shrinking of community pharmacy practice nationwide as the reimbursement rates PBMs pay to participating pharmacies are not reflective of the actual costs pharmacies pay to acquire these drugs. This is clearly visible with the State of Connecticut Employee Prescription Drug Program. Very few independent community pharmacies currently participate with this plan due to PBM reimbursement rates that are below our cost to provide services. The participating pharmacy list is dominated by CVS (the same company whose PBM arm CVS/Caremark operates the plan). Other pharmacies groups with significant participation are Walmart and the grocery store pharmacies Stop & Shop and Shoprite. The Rx department in these groups represent only a fraction of their gross sales, thus the pharmacy can serve as a loss-leader to bring in more business.

Raised Bill #7174 seeks to expand the State of Connecticut Employees' Prescription Drug Program to "non-state public employers" and "Qualified Private Employers". At a time when the Governor's Office and the legislature are trying to promote a more "business-friendly" environment in Connecticut, this bill, as written, will essentially expand a State Employee's Pharmacy Benefit program that the vast majority of Connecticut's community pharmacies do not participate with.

Most independent community pharmacies will not be able to participate with this proposed plan unless the contracting procedure with the selected PBM changes radically. While Raised Bill #7174 does address retroactive DIR fees, the Comptroller's office must also ensure that any contract agreed to between the state and a PBM must halt tactics such as Spread Pricing, and manufacturer drug rebate arrangements that benefit the PBM rather than the plan and Connecticut residents. By doing this, money saved by eliminating excessive PBM profits can be used to establish a reasonable reimbursement rate that reflects the true cost of drugs in the marketplace while still saving consumers significant amounts of money at the pharmacy counter.

As recommended in the Pennsylvania Auditor General's report, in order to provide substantial prescription drug savings, any contract with a PBM must;

1. Provide for transparency into PBM pricing practices,
2. Allow state oversight and audit of PBM contracts with Pharmacy Services Administrative Organizations that contract on behalf of pharmacies and other directly contracted pharmacies,
3. Require a Flat-Fee pricing model for compensating PBMs so that the Connecticut Prescription Drug Programs only pays for those services PBMs render.

Finally, Raised Bill #7174 seeks to establish a task force to study the feasibility of drug reimportation from sources outside of the United States. I inherently disagree with the premise of drug reimportation for several reasons. Primarily, the concept rewards companies that don't have to abide by the same rules and regulations as Connecticut based pharmacies. They don't pay taxes here and they do nothing to provide local jobs that support the Connecticut economy. Drug reimportation is another concept that is not "business friendly" to Connecticut's community pharmacies. The raised bill goes one step further by not mandating that at least one member of the task force being assembled is a licensed pharmacist practicing in Connecticut. I hope that state leadership within the groups that can appoint task force members have the foresight to ensure that a pharmacist with knowledge of the pharmacy marketplace in Connecticut is appointed to the group.

Respectfully Submitted,
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